

MGT 08-06

April 30, 1996

Audit Committee Members:

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Mr. Frank Williamson, Jr., Member
Mr. Mitchell W. Berger, Member
Mr. William E. Graham, Member
Mr. Richard A. Machek, Member
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Mr. James D. Yager, Ex Officio

Re: Second Follow-up Review
Of Ten Internal Audit Reports
Issued During the Period
October 1990 through April 1994
Audit #97-10

This is the second follow-up review of the recommendations that the Office of Inspector General made in ten audit reports issued between October 1990 and April 1994. Of the 122 recommendations made, 106 were resolved as of our first follow-up report #96-01 issued April 1, 1996. Of the sixteen remaining recommendations, nine (9) have been implemented, two (2) have been partially implemented, two (2) are not implemented, and three (3) are no longer applicable.

The two partially implemented recommendations relate to procurement guidelines. A reengineering of Procurement is currently in process and many changes in procurement guidelines, policies and procedures will result from the reengineering process. One recommendation that has not been implemented relates to the right-of-way monitoring program in the Okeechobee Field Station area. While management concurs that the monitoring program requires additional assistance in this area, they are not presently able to provide additional staffing. Management should consider redirecting staff to assist in the right-of-way monitoring program when they become available.

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The other recommendation that has not been implemented relates to a cost allocation system for records storage. Management believes the cost of implementing a cost allocation system for record storage would outweigh the benefits. The District's off-site storage vendor provides a detailed invoice of usage by each division which could be used to develop departmental accountability.

This follow-up report was prepared by Andrea Stringer who is available to answer any questions you may have regarding it.

Sincerely,

Allen Vann
Inspector General

AV/gr

c: Samuel E. Poole III
Michael Slayton

South Florida Management District
Second Follow-up Review of Ten Internal Audit Reports
Issued During the Period October 1990 through April 1994

BACKGROUND

This review represents a second follow-up report on the status of recommendations made in ten previous reports. Our first follow-up audit report #96-01 was issued on April 1, 1996, that covered ten audit reports that included a total of 122 recommendations. Resolution was completed for 106 recommendations. This review follows up on the sixteen remaining recommendations from the following five original reports:

Audit #	Title	Remaining Recommendation s
90-03	Procurement and Contract Administration	1
92-04	B-1 Construction Contracts	1
93-03	Courier Services	4
93-04	District's Printing Unit	1
93-07	The Okeechobee Field Station	9
	Totals	16

OBJECTIVES, SCOPE AND METHODOLOGY

Generally Accepted Government Auditing Standards (GAGAS) and the Standards for the Professional Practice of Internal Auditing (the “Standards”) require internal auditors to perform follow-up audits to determine that agreed upon management action was taken and is achieving the desired results, or that senior management, or the Board has assumed the risk of not taking appropriate action on reported findings. Follow-up audits assess the adequacy, effectiveness, and timeliness of action taken by management on reported findings. Much of the benefit from audit work is not in the findings reported or the recommendations made, but in their effective implementation and resolution.

Our review used the follow-up standards described below for assessing the extent of corrective action taken, if any:

Implemented - Action was taken to adopt the recommendation or an alternative approach was taken that achieved the same objective.

Partially Implemented - We observed that action was in process that would implement the recommendation or the recommendation’s objective.

Not Implemented - There was insufficient evidence of implementation action being taken or District management disagreed with the recommendation.

No Longer Applicable - Alternative action was taken or there was a substantial change in circumstances that rendered the recommendation moot.

FOLLOW-UP OBSERVATIONS BY RECOMMENDATION

Procurement and Contract Administration (Procad) Processes and Procedures - Audit #90-03

- 1. Review of Contract Administrator's Files: Periodic supervisory review of Contract Administrator's files to ensure that policies and procedures are being followed**

Status: Partially Implemented

Management Action: The Procurement Division implemented Standard Operating Procedure No. 20 - Review of Contract Administrator's Files in April 1996. A Manager's Contract File checklist should be completed upon closeout of each file. In a recent review of six closed contracts, four checklists were in the files.

Audit of the B-1 Construction Contracts Audit # 92-04

- 22. Guidelines for Minimum Standards of Insurance Companies: A District policy should be developed establishing guidelines requiring minimum standards for insurance companies used by contractors to underwrite their bonds and various insurance policies.**

Status: Partially Implemented

Management Action: A consultant study was completed which established A.M. Best ratings for underwriters, however, these guidelines have not yet been formalized into an approved policy for underwriters or insurance companies.

Audit of Courier Services
Audit #93-03

- I.2. Utilization of Fax Machines:** The District could realize substantial savings through increased utilization of its fax machines as an alternative to overnight courier service. The District should perform an analysis to estimate their average cost per page to fax documents to long distance numbers under the current rate plan.

Status: Implemented

Management Action: The General Services Division (formerly Administrative Services Division) has completed an analysis of documents faxed to long distance numbers. The result of this analysis indicates that there is no point at which it is more economical to use overnight courier service when compared with the cost of faxing a document. However, the analysis notes that faxing a document is labor intensive and there are other circumstances that would prevent relatively short documents from being faxed including:

1. The receiver does not have a fax machine.
2. The document is in a format larger than 8 ½" x 11"
3. The document is confidential.
4. The quality of the document is important and a faxed copy would not be acceptable.
5. Original signatures are required.

- I. 3. Division Level Accountability:** The District should consider using internal service funds for overnight courier services. The Division of Administrative Services should distribute the departmental usage summary of the overnight courier service cost monthly instead of quarterly.

Status: Implemented

Management Action: In a memorandum to the Director of Finance, from the Director of Accounting and the Director of Budget dated October 7, 1994, Management considered a charge - back system and could not find adequate justification for the additional administrative burden. The Divisional Usage Summary of Overnight Courier Services Costs was issued to all District Directors for the period December 1995 through May 1996. This monthly informational report was discontinued in June 1996 due to the workload impact created by compiling the report data, the amount of time required in the initiation of the notification memoranda and mailing processes, and the District's focus on resource reduction/process efficiency. General Services noted that no decrease in overnight courier costs resulted following reinstatement of the summary report for the six month period.

II 4. Documentation of Urgency: Implement one of the following controls to ascertain that documents are transmitted in the most economical manner:

- **Require division manager approval (or a designee in their absence) before shipment by signing or initialing the shipping label.**
- **Require division managers to review and provide written approval of their monthly charges for payment after shipment to identify recurring instances where over usage may be occurring.**
- **Maintain a log documenting the package number, type of service, person sending the package and a brief explanation addressing the consequences if the item is sent by second day or regular mail.**

Status: Implemented

Management Action: Management implemented the requirement for post approval signatures from the managers of the originating organizations, but subsequently eliminated the requirement due to the workload impact created and the District focus on resource reduction/process efficiency.

III 8. Record Storage: Expenditures for document storage services should be allocated to the user departments budgets to develop departmental level accountability.

Status: Not Implemented

Management Action: Management believes the cost of implementing a cost allocation system for record storage would outweigh the benefits.

The District's off-site storage vendor provides a detailed invoice of usage by each division which could be used to develop departmental accountability.

**Audit of District's Printing Unit
Audit #93-04**

I.2. Charge Back System: Implement a charge back system for printing unit costs.

Status: No Longer Applicable.

Management Action: Management originally concurred with the recommendation to implement a charge back system, however, in a memo to the Department Director of Management Services from the Deputy Department Director, Finance dated September 26, 1994, management decided against a charge back system for the print shop because, in their opinion, the costs of implementing such a system outweigh the benefits.

**Audit of The Okeechobee Field Station
Audit #93-07**

I.A.2. Mowing Function Costs: Request bids from outside contractors to perform the levee mowing responsibility. If contractor bids are lower than the Field Station's internal cost, the outsourced cost per acre should be used as a goal for the Field Station's internal cost, or the work should be contracted out.

Status: Implemented

Management Action: The District has outsourced 100% of flat mowing.

3. Safety Requirements: Adjust personnel allocation in the mowing and heavy equipment functions to reduce the cost of safety requirements and increase productivity.

Status: No Longer Applicable

Management Action: The flat mowing has been outsourced. Heavy equipment activities are coordinated with other programs to use members of those crews for safety purposes in concert with District's Policy No. 16.71100.

4. Boat Locks Property Maintenance: Require the lock and pump station

personnel to mow all of the structure properties.

Status: No longer Applicable

Management Action: Mowing at pump stations is 100% outsourced. The January 1997 Navigation locktender contract requires contractor to perform mowing operations.

D.1. Equipment Maintenance and Fleet Management Information Systems:

- (1) Consider interfacing FMIS with LGFS.**
- (2) Modify FMIS to capture actual labor expense, instead of using a standard hourly rate, to determine its internal cost of operations.**
- (3) Use industry time standards as a benchmark for evaluating mechanics' productivity.**
- (4) Consider adding prior years' information to the FMIS data base.**
- (5) Consider obtaining a bid to determine the cost of outsourcing the equipment maintenance function.**

Status: Implemented or No Longer Applicable

Management Action: OMD implemented a Computerized Management Maintenance System (CMMS) October 1, 1996, which will replace FMIS. CMMS interfaces with the LGFS System and the ROSS System. The CMMS system will use actual labor expense to determine internal cost of operation instead of a standard hourly rate. Equipment Maintenance is using the "Hour Book," an industry standard manual, for benchmark purposes. The manuals provide industry standards for specific tasks. Action has been taken to determine the outsource cost for recurring maintenance procedures. This information is used to perform comparative cost analysis of outsourcing tasks versus performing the procedure in-house.

G.1 Hydro Data Collection Frequency: Review the hydro data collection for duplication of effort. Water readings can be obtained through remote access

for the majority of data collection sites.

Status: Implemented

Management Action: Effective May 29, 1996, the number of daily data collections has been reduced from five days per week to two days per week in both the Okeechobee and Ft. Pierce areas.

H.1. Fort Pierce Substation: Consider closing the Ft. Pierce Substation and transferring the Substation's maintenance operations and public relations duties to the Okeechobee Field Station and Okeechobee Service Center, respectively. Also consider outsourcing the Substation's mowing operations.

Status: Implemented

Management Action: A Draft Feasibility Study conducted by the Senior Supervising Engineer, Construction and Land Management Department, supports retention of the Ft. Pierce Substation. A memorandum from the Director of Field Operations North stated that the final report would have few minor changes and would clearly state the advantage to maintaining the Ft. Pierce Sub-Station site. Flat mowing is 100% outsourced in the Ft. Pierce Sub-Station area.

I H.2. Maintenance Management System: The implementation of the Computerized Maintenance Management System (CMMS) should entail:

- **The use of existing staff analysts to operate the system.**
- **Potential use of the CMMS by other District departments/division/offices and Operations and Maintenance.**
- **Interfacing with the payroll system (ROSS) and the financial accounting system (LGFS.)**

Status: Implemented

Management Action: The Computerized Maintenance Management System (CMMS) was implemented October 1, 1996. Supervisors at the Okeechobee Field Station are using

CMMS, however, the Ft. Pierce Supervisor is currently traveling to the Okeechobee Field Station twice weekly to input data, due to lack of hardware at the Ft. Pierce Sub-Station.

The CMMS could be utilized by any department that has field operations or work orders (such as General Services Division, Water Resource Evaluation, or the Print Shop). Operations and Maintenance has requested the Office of Inspector General to review the output of the CMMS system and the system's internal controls.

I H.3. Employee Work Schedule: Consider implementing four 10-hour-day work schedules for the field crews at all field stations.

Status: Implemented

Management Action: In an effort to increase employee availability and reduce absenteeism, the HR Division developed the *Alternative Work Schedule Guidelines 03.42000* effective August 1, 1996. This program provides flexible work schedules for employees whose jobs meet requirements for alternative work schedules. Based on travel conditions and workloads, field station management currently allows crews to work four ten-hour days when applicable.

III.2. Field Engineering: Management provide assistance to the Okeechobee Senior Field Engineering Representative to:

- **Survey and monitor right-of-ways**
- **Research and document the violations**
- **Resolve existing violations through permitting and other legal actions.**

Status: Not Implemented

Management Action: Field Station management concurs that the research and documentation required before a property owner can be contacted to resolve the violation is a very time consuming process. However, additional staff is still not available to assist with right-of-way monitoring in the Okeechobee Field Station because of other District priorities.